

**DEPARTMENT OF SOCIAL SERVICES**

744 P Street, Sacramento, California 95814



March 23, 2000

ALL COUNTY INFORMATION NOTICE NO. I-32-00

TO: ALL COUNTY WELFARE DIRECTORS  
ALL WELFARE TO WORK COORDINATORS

**REASON FOR THIS TRANSMITTAL**

- ☐ State Law Change
- ☐ Federal Law or Regulation Change
- ☐ Court Order
- ☐ Clarification Requested by One or More Counties
- ☒ Initiated by CDSS

SUBJECT: HOUSING AND COMMUNITY DEVELOPMENT (HCD) NOTICE OF FUNDING AVAILABILITY (NOFA) FOR THE FAMILIES MOVING TO WORK PROGRAM (FMTW)

REFERENCES: County Fiscal Letter 98/99-39, County Fiscal Letter 98/99-54, Office of Management and Budget Circular A-87

Enclosed, for your information, is a Notice of Funding Availability (NOFA) recently released by the Department of Housing and Community Development (HCD) announcing the availability of \$2,775,984 in funding for the second round of the Families Moving to Work Program (FMTW). FMTW is a new program aimed at assisting California Work Opportunities and Responsibility to Kids (CalWORKs) recipients to become self-sufficient. The program offers deferred payment loans to developers of assisted housing for CalWORKs recipients.

As a local government agency, county welfare departments could sponsor or co-sponsor a project using FMTW funding. CalWORKs funds could be used as additional funding for certain aspects of a FMTW housing project. For example, a combination of FMTW and CalWORKs funding might be used to renovate a county-owned facility to provide housing and welfare to work services to CalWORKs participants. The principles and guidelines included in the Office of Management and Budget (OMB) Circular A-87 must be followed for all expenditures of State General Fund Maintenance of Effort (MOE) and Federal Temporary Assistance for Needy Families (TANF) funds. Please refer to County Fiscal Letter (CFL) No. 98/99-54 for more information on the allowed use of state and federal incentive funds.

State statute (Health and Safety Code Section 50880(b)) and the NOFA require that project sponsors provide evidence that the proposed development is consistent with the CalWORKs county plan. We strongly encourage collaboration with eligible applicants to ensure the coordinated delivery of CalWORKs welfare-to-work services. This program offers a unique opportunity to work with a variety of local agencies and nonprofits to provide housing and other services to the recipients in your county. HCD particularly encourages applicants with projects that are already well along in the development process which will be able to provide housing quickly.

The following is a brief outline of the program requirements and terms. For more detailed information please refer to the enclosed Notice of Funding Availability.

### Lending Terms

Loans issued by the Families Moving to Work Program have 55-year terms. Principle and interest payments may be deferred for up to the term of the loan, and funds used for childcare facilities are forgivable. The maximum per-project loan amount is \$1,000,000, and the per-unit loan limits are either \$25,000 or \$35,000, depending on the region.

### Funding Uses

Counties are reminded that federal TANF and state MOE funds cannot be used for the purchase of land or buildings. **Please refer to OMB Circular A-87 for guidelines on the use of State MOE funds and federal TANF funds for these purposes.** FMTW funds can be used for the following:

- The costs of developing housing units, childcare, afterschool programs, and social services facilities integrally linked to the housing units.
- Property acquisition, soft costs, refinancing of existing debt, off-site improvements, construction contract payments, and capitalized reserves, including reserves used to subsidize rents for CalWORKs recipients.
- Construction financing that is permanent or rolls over into permanent financing.

### Eligible Borrowing Entities

- Nonprofit corporations;
- Cooperatives;
- Local public agencies;
- Limited partnerships where the managing partner is a nonprofit corporation; or
- A combination of the above entities.

### Program Requirements

Upon move in, occupants of units assisted by FMTW must be CalWORKs recipients participating in welfare-to-work activities. Families will receive assistance under FMTW for a limited time period, as approved by the local welfare department and consistent with the county CalWORKs plan. Housing units built or renovated with assistance from FMTW are dedicated, for a minimum of 10 years, to housing individuals participating in CalWORKs. Projects using FMTW funds to provide rent subsidies shall provide fixed monthly subsidies. Specific restrictions on subsidy rates also apply in certain regions (please see attached NOFA). Project sponsors must provide services for residents occupying assisted units such as childcare and case management.

### Application Process

Applications must be on forms provided by HCD. The application deadline is May 30, 2000. To request an application kit, please contact Anne Gilroy at (916) 327-2886 or [agilroy@hcd.ca.gov](mailto:agilroy@hcd.ca.gov). Additional information is also available on the HCD website at [www.hcd.ca.gov/ca/index.html](http://www.hcd.ca.gov/ca/index.html).

If you have any questions or need additional information, please contact Sarah Mangum, Program Analyst, at (916) 654-1887 or by email at [Sarah.Mangum@dss.ca.gov](mailto:Sarah.Mangum@dss.ca.gov), or Karen Kennedy, Program Manager, Work Support Services Program at (916) 654-1424 or by email at [kkennedy@dss.ca.gov](mailto:kkennedy@dss.ca.gov).

Sincerely,

***Original Signed by  
Jo Weber on 3/23/00***

JO WEBER, Chief  
Work Services and Demonstration Projects Branch

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT  
DIVISION OF COMMUNITY AFFAIRS**

1800 Third Street, Suite 390  
P. O. Box 952054  
Sacramento, CA 94252-2054  
(916) 322-1560  
FAX (916) 327-6660

**NOTICE OF FUNDING AVAILABILITY (NOFA)  
FAMILIES MOVING TO WORK (FMTW) PROGRAM**

February 14, 2000

The California Department of Housing and Community Development (HCD) is pleased to announce the availability of \$2,775,984 in funding for the second round of Families Moving to Work Program (FMTW). FMTW loans are intended to assist with the development of assisted housing for CalWORKs recipients.

**Purpose**

FMTW is a new program whose aim is to assist CalWORKs (welfare) recipients in becoming self-sufficient by providing limited term housing assistance combined with case management, employment services, childcare and other supportive services. FMTW was authorized by legislation accompanying the recently enacted state budget.

SB1121 establishes FMTW (chapter 15, commencing with section 50880, of the Health and Safety Code) as a component of the new omnibus Multifamily Housing Program (MHP) found at chapter 6.7, commencing with section 50675, of the Health and Safety Code. This NOFA and any funded commitments awarded hereunder, will be governed by the applicable provisions of both the FMTW and the MHP. Pursuant to Health and Safety Code Section 50675.11 there will be no program regulations.

In lieu thereof, this NOFA and its application forms will serve as guidelines for the commitment and use of funds as provided herein. Threshold requirements and rating and ranking criteria will be set forth in the application process document.

**Program Summary**

FMTW provides deferred payment loans to developers of assisted housing. Loan proceeds may be used for the cost of developing housing units and childcare, after school care and social services facilities integrally linked to the housing units. They may also be used to fund reserves used to subsidize rents for CalWORKs recipients. FMTW is designed to work in conjunction with the Low Income Housing Tax Credit Program and with local housing finance programs. The loan limits are set with the expectation that the bulk of project development costs will be financed through other sources and that the primary use of FMTW funds will be to write down rents in affordable housing projects already under development to levels that are within reach of CalWORKs recipients.

Upon move in, occupants of units assisted by FMTW must be CalWORKs recipients participating in welfare-to-work activities. Families may receive assistance under FMTW for only a limited period of

time, as approved by the local welfare department and consistent with the local CalWORKs plan. When this period ends the FMTW rent subsidy must be terminated.

Under this NOFA, FMTW-assisted unit rents and tenant incomes will be restricted for 55 years from the date of initial occupancy. The requirement to house CalWORKs recipients ends when the development ceases to benefit from the FMTW assistance (e.g. when the rent subsidy funds are exhausted), but not sooner than 10 years from the date of initial occupancy. HCD may also modify the requirements of the program if CalWORKs is revised in a manner that threatens project feasibility. After the 10 year period during which occupancy must be limited to CalWORKs recipients, the FMTW assisted units must be operated as affordable housing following the income and rent restrictions applicable to units assisted by the Low Income Housing Credit Program (LIHTC).

### **Eligibility**

Eligible borrowing entities must be nonprofit corporations, cooperatives, local public agencies, limited partnerships in which the managing general partner is a nonprofit corporation or a combination of these entities.

Eligible projects may involve either new construction or rehabilitation and may be operated either as permanent housing (with limited term rental assistance provided through FMTW) or as transitional housing (where residents must move from their units at a given point in time).

HCD encourages projects that are well along in the development process and hence able to deliver housing quickly. However, projects are ineligible if they have completed construction or rehabilitation.

### **Eligible Uses of Funds**

FMTW funds may be used for:

1. Property acquisition, soft costs, refinancing of existing debt, off-site improvements, construction contract payments and capitalized reserves, including reserves used for rent subsidies; and
2. To defray development costs for FMTW-assisted housing units only (not other units) and development costs for on-site childcare, after school and social services facilities integrally linked to the housing units; and
3. As construction financing that rolls over into permanent financing or as permanent financing only.

### **Supportive Services**

To enable FMTW-assisted households to successfully move from welfare-to-work and to retain employment, project sponsors must provide for or arrange for the provision of supportive services for residents occupying assisted units. These services must include childcare and case management services available from the time of move-in through three months following termination of FMTW assistance and that are directed at assisting residents to become economically self-sufficient. Childcare available to

project residents must either be provided on-site or in close proximity to the project. Supportive services costs may be included in the project's operating budget.

### **Loan Terms and Limits**

Loans will have 55-year terms. Principal and interest payments may be deferred for up to the term of the loan. Loan funds used for childcare facilities are forgivable. The maximum per-project loan amount is \$1,000,000.

Maximum per-unit loan amounts are as follows:

<u>Project Location</u>	<u>Per-Unit Loan Limit</u>
CalWORKs Region 1 Counties: Alameda, Contra Costa, Los Angeles, Marin, Monterey, Napa, Orange, San Diego, San Francisco, San Luis Obispo, San Mateo, Santa Barbara, Santa Clara, Santa Cruz, Solano, Sonoma, Ventura	\$35,000
Cal WORKs Region 2 Counties: all not in Region 1	\$25,000

### **Rent and Occupancy Limits**

Units where rents and occupancy are restricted by FMTW are called assisted units or FMTW-assisted units. Developments are not required to have any particular percentage of units designated as assisted units. For the full 55-year loan term, rent and income restrictions in FMTW-assisted units shall be set to match those required by the California Tax Credit Allocation Committee (TCAC) (with household incomes not to exceed 50% of area median income, as calculated under the LIHTC program and rents shall not exceed the LIHTC limits for households in this income bracket.

For a minimum of 10 years, the following additional requirements shall apply to FMTW-assisted units:

1. When they move in, households must be comprised of CalWORKs recipients who are participating in welfare-to-work activities and their families.
2. The assistance provided through FMTW shall terminate at a point in time approved by the local welfare department to be consistent with the county CalWORKs plan. When assistance is terminated, residents must either move from their FMTW-assisted units or their rent subsidy must end.
3. In projects using FMTW funds to provide rent subsidies, these subsidies shall be in a fixed monthly amount and not vary with household income. The amount of the subsidy must be sufficient to reduce the first-year tenant contributions towards rent to the amounts that do not exceed the maximums shown in the following chart.

<u>Project Location</u>	Number of Bedrooms	Maximum Tenant Contribution
CalWORKs Region 1 Counties: Alameda, Contra Costa, Los Angeles, Marin, Monterey, Napa, Orange, San Diego, San Francisco, San Luis Obispo, San Mateo, Santa Barbara, Santa Clara, Santa Cruz, Solano, Sonoma, Ventura	1  2  3	\$256  \$313  \$425
CalWORKs Region 2 Counties: all not in Region 1		

Project sponsors may elect to provide subsidies that result in lower tenant contributions.

1. In transitional housing projects requiring residents to leave their units when they are no longer eligible for FMTW assistance, the maximum occupancy charge shall be equal to the maximum tenant contributions toward rent, as described in the proceeding paragraph.

HCD may modify the requirements applicable during the first 10 + years if CalWORKs is revised in such a fashion as to render projects infeasible.

### **Miscellaneous Limitations and Requirements**

Developer fees shall not exceed the amounts allowed by TCAC for tax credit projects. FMTW funds may not be used to increase the amount of the developer fee for a particular project beyond what it would be if FMTW funds were not available. Distributions of operation income (including payment of asset/partnership management fees) may not exceed the lesser of 8% of gross rental income or \$50 per unit per month.

For projects involving existing building, HCD may require completion of the third party physical needs assessment prior to loan closing.

Successful applicants shall enter into a Regulatory Agreement, Development Agreement, Promissory Note, Deed of Trust and other documents and instruments as required by HCD to ensure proper use of FMTW funds and to evidence and secure the FMTW loan.

To allow for evaluation of the FMTW Program, successful applicants will be required to collect and report information on the status of their residents, beyond what is customary in most low-income housing programs.

## **Application Request**

Applications must be on forms provided by HCD. A completed original application must be received by the Department no later than 5:00 P.M. on Monday, May 30, 2000. No facsimiles or late applications will be accepted. To receive an application kit, please contact Anne Gilroy at (916) 327-2886 or [agilroy@hcd.ca.gov](mailto:agilroy@hcd.ca.gov). Applications must be delivered to one of the following addresses:

### **U. S. Mail**

Anne Gilroy  
Department of Housing And Community  
Development Development  
Division of Community Affairs  
P.O. Box 95204  
Sacramento, CA 94252-2054

### **Private Carrier**

Anne Gilroy  
Department of Housing and Community  
Division of Community Affairs  
1800 Third Street, Room 390  
Sacramento, CA 95814

Thank you for your interest in the Families Moving to work Program.

Sincerely,

***Original Document Signed By  
William J. Pavão***

William J. Pavão  
Deputy Chief